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# **China, Peoples Republic of**

## **Grain and Feed**

### **Grain Update**

### **2001**

#### **U.S. Embassy**

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**Report Highlights:** Despite some recent rains, drought will cause China's MY 2001 corn production to fall to MY 2000's poor levels. New regulations requiring labeling could hurt imports of U.S. GMO corn. Improved prospects for quick entry into the WTO improve prospects for increased Chinese grain imports and decreased Chinese corn imports.

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Includes PSD changes: Yes  
Includes Trade Matrix: Yes  
Unscheduled Report  
Beijing [CH1], CH

## Corn

Although rains returned to Northern China in the last half of June and early July, a great deal of damage had already been done. In most areas of the key northeast China production area, farmers report that crop development is one month or more behind what it should be. Recent rains also led to significant hail damage in several areas. In the Northeast, yields will very likely be off last year's low levels erasing the effect of increases in planted area. In the North China plain, where most corn is double-cropped with wheat and thus planted later, development is more on track but moisture levels remain low as the weather has once again turned hot and dry. The problem in the North China Plain is being aggravated by increasing irrigation costs, resulting from years of unsustainable water use in the area. All in all it appears that this year's crop production will at best only equal last year's.

### *Prices and Stocks*

In no small part because of poor prospects for this year's crop, prices have continued to rise gradually. The national average now stands at over \$140/ton but several factors are moderating the increase. Corn stocks have clearly been reduced over last year but still a considerable amount remains. Also, prices for other grains (particular wheat) in many areas are lower than those for corn causing considerable diversion to feed uses. Finally world prices are low and WTO entry now looks likely within 6 months. This should mean an opening of the currently tightly restricted market. This is discouraging speculative buying based on the current poor crop.

### *Trade*

The trade situation to say the least is clouded. Confusion surrounds some recent reports of export sales to China. Reported shipments from Argentina in April still have not shown up in Chinese statistics. Also, traders and officials say a 165,000 MT sale reported to USDA for MY 2001 will either be processed for re-export or will be diverted to South Korea as the importer has not or will not be able to get an import permit. This is the first time that China has imported US corn since 1999. The consensus is strong that, outside of some small shipments from Thailand, the Government is not issuing import permits. Stocks of corn and wheat for feed remain large enough that the Government can hold off on issuing permits and it is inclined to do so to keep prices high for corn farmers facing a second consecutive bad crop.

Several factors may force corn imports in MY 2001. It looks likely now that China will enter the WTO in early 2002. This would mean they would need to implement a tariff rate quota for some 5 MMT in that calendar year. With current prices, this should mean considerable imports although the Government could probably, if they desired, stall these imports until after the end of MY 2001. Even without WTO entry, given this year's poor crop, it is uncertain whether stocks can hold up through all MY 2001.

A recent regulation requiring labeling of GMO products could cause a problem for corn imports. Already traders have been forced to back-date contracts for soybean imports as they await Government rules spelling out how this labeling requirement will be implemented. In the meantime the Government refuses to give any indication of what they will ultimately require.

Until these implementing rules come out it is also impossible to say what impact this will have on U.S. exports containing GMO corn.

Although an export subsidy program remains in place, activity under it has slackened in recent months. To an extent this is because international prices have been so low that the subsidy has not been large enough to allow sales. With another bad crop this year, the Government may also be approaching its target for exports as well. At least some storehouses in Jilin report their stocks earmarked for export are gone. Nonetheless, recent rises in world prices could prompt some further sales prior to China's entry into the WTO, at which time export subsidies must stop. Although it is generally believed that the export subsidies are mainly meant to help reduce domestic stocks, many provincial officials also talk of them as a marketing tool to develop sales to South Korea and Japan. So they will likely continue in coming months to press for subsidies even as stocks reach lower levels.

## **Wheat**

This year's corn crop should be down from last in overall volume. This is due primarily to lower planted area but dryness and increasingly scarce irrigation water also hurt production. Increases in higher-quality (primarily higher-protein) varieties continue. Millers apparently rely more and more on direct contracts with farmers rather than going through the inefficient Government marketing system which has difficulty segregating different varieties.

As with corn, China's imminent entry into the WTO will force China to open its wheat market. It now seems likely China will have to open a tariff-rate quota (TRQ) for some 7 MMT in CY 2002. At current prices this should mean a significant increase in imports. However depending on the nature of the TRQ mechanism used, this increase could be delayed until after MY 2001 has ended. With wheat stocks remaining relatively large despite two years of smaller crops and with the Government intent on promoting domestic high-quality wheat, it will likely try to hold off imports as long as possible.

## **Rice**

Total rice production for MY 2002 (i.e. CY 2001) is forecast at 186 MMT, a 2 percent drop from the previous year. Growing patterns in some parts of the South are gradually changing. In the past farmers used to plant two rice crops a year. However, since the government implemented its policy to reduce low quality early rice purchases, farmers have switched from early rice to corn, rapeseed or soybeans. This new tendency has resulted in a decline in rice area.

In the last report, rice exports for MY 2000 were forecast at 3 MMT because this was China's export target. In an attempt to reach this goal a joint delegation from a government grain trading company and the government grain reserve corporation went to South Africa and East Europe to look for rice markets. However slow exports for the first 4 months of 2001 suggest that the 3 mmt target may be not be attainable. Some likely reasons why exports have not met targets are that China's rice is hard to sell on the world market because of its low quality. In addition, the government was late in establishing this year's rice export subsidy policy. Finally, lower

production and declining stocks are also relieving some of the pressure to export. Therefore, this report reverts to a rice export estimate of 1.8 MMT for MY2000, and a forecast of 2 MMT for MY 2001.

China has a stable commercial market for broken rice which is used to produce rice flour, vinegar, noodles, animal feed, beer, etc. China does not import broken rice. Domestic supplies meet demand. Japan is currently the only export market for Chinese broken rice. In the first quarter of the current calendar year, China exported 2,259 MT of broken rice to Japan.

PSD Table						
Country	China, Peoples Republic of					
Commodity	Corn				(1000 HA)(1000 MT)	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		10/1999		10/2000		10/2001
Area Harvested	25904	25904	24000	23000	24500	23500
Beginning Stocks	102092	102092	102314	102314	81464	83464
Production	128086	128086	106000	106000	115000	105000
TOTAL Mkt. Yr. Imports	71	71	150	150	200	1500
Oct-Sep Imports	71	71	150	150	200	1500
Oct-Sep Import U.S.	0	0	0	100	0	1000
TOTAL SUPPLY	230249	230249	208464	208464	196664	189964
TOTAL Mkt. Yr. Exports	9935	9935	7000	7000	2000	1000
Oct-Sep Exports	9935	9935	7000	7000	2000	1000
Feed Dom. Consumption	90000	90000	93000	93000	96000	95000
TOTAL Dom. Consumption	118000	118000	120000	118000	123000	120000
Ending Stocks	102314	102314	81464	83464	71664	68964
TOTAL DISTRIBUTION	230249	230249	208464	208464	196664	189964

PSD Table						
Country	China, Peoples Republic of					
Commodity	Wheat				(1000 HA)(1000 MT)	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		07/1999		07/2000		07/2001
Area Harvested	28855	28855	27000	26650	25500	25000
Beginning Stocks	66435	66435	65158	68783	50558	54183
Production	113880	113880	99600	99600	96000	95000
TOTAL Mkt. Yr. Imports	1010	1010	500	500	2000	1000
Jul-Jun Imports	1010	1010	500	500	2000	1000
Jul-Jun Import U.S.	192	192	0	200	0	500
TOTAL SUPPLY	181325	181325	165258	168883	148558	150183
TOTAL Mkt. Yr. Exports	542	542	700	700	500	500
Jul-Jun Exports	542	542	700	700	500	500
Feed Dom. Consumption	5000	12000	3500	14000	2500	13000
TOTAL Dom. Consumption	115625	112000	114000	114000	113000	114000
Ending Stocks	65158	68783	50558	54183	35058	35683
TOTAL DISTRIBUTION	181325	181325	165258	168883	148558	150183

PSD Table						
Country	China, Peoples Republic of					
Commodity	Rice, Milled				(1000 HA)(1000 MT)	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		01/2000		01/2001		01/2002
Area Harvested	31284	31284	30000	29960	29700	29700
Beginning Stocks	96000	96000	98500	98500	94200	94200
Milled Production	138936	138936	131537	131537	130200	130200
Rough Production	198480	198480	187910	187910	186000	186000
MILLING RATE (.9999)	7000	7000	7000	7000	7000	7000
TOTAL Imports	278	278	300	300	310	310
Jan-Dec Imports	278	278	300	300	310	310
Jan-Dec Import U.S.	1	0	0	0	0	0
TOTAL SUPPLY	235214	235214	230337	230337	224710	224710
TOTAL Exports	2951	2951	1800	1800	2000	2000
Jan-Dec Exports	2951	2951	1800	1800	2000	2000
TOTAL Dom. Consumption	133763	133763	134337	134337	136110	136110
Ending Stocks	98500	98500	94200	94200	86600	86600
TOTAL DISTRIBUTION	235214	235214	230337	230337	224710	224710

CHINA'S WHEAT IMPORTS BY MONTH (1,000 Metric Tons)					
	1998	1999	2000	2001	
January	29	11	114	19	
February	27	5	54	57	
March	407	27	120	28	
April	240	43	173	83	
May	389	9	180	7	
June	42	47	54		
July	53	56	112		
August	16	17	43		
September	22	34	37		
October	82	65	15		
November	36	21	30		
December	147	74	8		
JAN-DEC TOTAL	1,490	409	943	195	
	(98/99)	(99/00)	(00/01)	(01/02)	
JUL-JUN MY TOTAL	498	963	441	0	1/
1/ year to date Source: PRC Customs HS Code: 1001.1000, 1001.9010, 1001.9090, 1101.0000, 1902.1100, 1902.1900, 1902.3030, 1902.3090, and 1902.4000 (f:\shared\lotus\grnfd\wheat\whtmthim.wk4)					



CHINA'S WHEAT EXPORTS BY MONTH			
(1,000 Metric Tons)			
	2000	2001	
January	22	23	
February	15	30	
March	31	41	
April	29	30	
May	27	22	
June	42		
July	34		
August	33		
September	30		
October	31		
November	33		
December	23		
JAN-DEC TOTAL	352	146	
	(00/01)	(01/02)	
JUL-JUN MY TOTAL	331	0	1/
1/ year to date			
Source: PRC Customs			
HS Code: 1001.1000, 1001.9010, 1001.9090, 1101.0000,			
1902.1100, 1902.1900, 1902.3030, 1902.3090, and 1902.4000			
(f:\shared\lotus\grnfd\wheat\whmtmthex.wk4)			

CHINA'S WHEAT IMPORTS BY ORIGIN, MY 2000/2001 (1,000 Metric Tons)						
	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	MY 00/01	% Share
	2000	2000	2001	2001	Year to Date	of Total
United States	86	21	43		150	49.7%
Australia	30	11	40		81	26.8%
Canada	64	6	1		71	23.5%
United Kingdom	0	0	9		9	3.0%
Other	13	10	8		31	10.3%
TOTAL	193	48	101		302	100.0%
Source: PRC Customs HS Code: 1001.1000, 1001.9010, 1001.9090, 1101.0000, 1902.1100, 1902.1900, 1902.3030, 1902.3090, 1902.4000 (f:\shared\lotus\grnfd\wheat\whtqi0-1.wk4)						

CHINA'S CORN IMPORTS BY MONTH					
(Metric Tons)					
	1998	1999	2000	2001	
January	0	18	0	18	
February	99	17	43	271	
March	52,501	18	42	901	
April	4	1	14	8,938	
May	2,204	58	2	2,214	
June	20,052	20,012	63		
July	52	50,079	79		
August	7,500	0	3		
September	36,170	0	80		
October	20	0	0		
November	23,894	0	60		
December	108,125	41	0		
JAN-DEC MY TOTAL	250,621	70,244	386	12,342	
	(98/99)	(99/00)	(00/01)	(01/02)	
OCT-SEP MY TOTAL	202,242	367	12,402	0	1/
1/ year to date					
HS Code: 1005.1000, 1005.9000					
Source: PRC Customs					
f:\shared\lotus\grnfd\corn\crnmthim.wk4					

CHINA'S CORN EXPORTS BY MONTH (Metric Tons)					
	1998	1999	2000	2001	
January	335,765	119,190	210,003	607,625	
February	428,867	83,508	589,488	745,158	
March	405,198	272,908	1,219,532	938,043	
April	580,188	53,149	530,920	251,214	
May	240,079	171,438	350,985	469,940	
June	401,390	304,349	962,939		
July	304,729	551,192	1,557,699		
August	334,601	212,649	1,582,611		
September	432,336	346,007	740,849		
October	351,911	305,648	914,163		
November	371,899	518,836	832,127		
December	499,614	1,365,144	993,483		
JAN-DEC TOTAL	4,686,577	4,304,018	10,484,799	3,011,980	
	(98/99)	(99/00)	(00/01)	(01/02)	
OCT-SEP MY TOTAL	3,337,814	9,934,654	5,751,753	0	1/
1/ year to date					
HS Code: 1005.1000, 1005.9000					
Source: PRC Customs					
(f:\shared\lotus\grnfd\corn\crnmthex.wk4)					

CHINA'S CORN QUARTERLY IMPORTS BY ORIGIN, MY 2000/01 (Metric Tons)						
						% Share of
	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Total MY	MY Imports
	2000	2001	2001	2001	2000/01	(To Date)
Australia	60	120			180	14.5%
U.S.	0	0			0	0.0%
Other	0	1,058			1,058	85.5%
TOTAL	60	1,178			1,238	100.0%
Source: PRC Customs HS Code: 1005.1000, 1005.9000 (f:\shared\lotus\gmfd\corn\crnqi0-1wk4)						

CHINA'S QUARTERLY CORN EXPORTS BY DESTINATION, MY 2000/01 (Metric Tons)						
	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	MY 2000/01	% Share of
	2000	2001	2001	2001	Year-to-Date	MY Exports
South Korea	1,533,292	1,535,467			3,068,759	61.2%
Malaysia	703,975	442,640			1,146,615	22.9%
Indonesia	250,040	83,203			333,243	6.7%
North Korea	148,084	35,580			183,664	3.7%
Japan	42,189	110,642			152,831	3.1%
Vietnam	8,355	41,068			49,423	1.0%
Sri Lanka	6,212	19,069			25,281	0.5%
Philippines	0	20,201			20,201	0.4%
Singapore	19,589	0			19,589	0.4%
Hong Kong	4,404	2,394			6,798	0.1%
Russia	4,480	0			4,480	0.1%
Thailand	0	560			560	0.0%
Bangladesh	1	0			1	0.0%
Other	0	2			2	0.0%
TOTAL	2,720,621	2,290,826			5,011,447	100.0%
Source: PRC Customs HS Codes: 1005.1000 and 1005.9000 (f:\shared\lotus\grnfd\corn\crnqe0-1.wk4)						

CHINA'S BARLEY IMPORTS BY MONTH (Metric Tons)				
	1998	1999	2000	2001
January	39,900	152,551	131,482	73,015
February	108,730	197,501	104,004	109,113
March	186,945	226,176	116,147	287,519
April	55,875	174,692	286,784	210,567
May	141,060	210,360	392,182	276,957
June	287,396	111,767	93,228	
July	40,505	156,203	135,475	
August	52,702	120,747	88,207	
September	155,850	155,025	132,635	
October	124,564	272,156	161,456	
November	85,167	228,840	127,952	
December	240,445	262,757	204,554	
JAN-DEC MY TOTAL	1,519,139	2,268,775	1,974,106	957,171
	(98/99)	(99/00)	(00/01)	
OCT-SEP MY TOTAL	1,955,198	2,243,897	1,451,133	1/
1/ year to date HS Code: 1003.0010, 1003.0090 Source: PRC Customs (f:\shared\lotus\grnfd\others\barely\blymthim.wk4)				

CHINA'S QUARTERLY SORGHUM EXPORTS BY DESTINATION, MY 2000/2001 (Metric Tons)						
	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	MY 2000/01	% Share of
	2000	2001	2001	2001	Year-to-Date	MY Exports
Taiwan	3,013	2,445			5,458	66.5%
South Korea	1,270	1,144			2,414	29.4%
Malaysia	34	64			98	1.2%
Belgium	0	0			0	0.0%
Japan	54	167			220	2.7%
United States	6	6			12	0.1%
Other	4	0			4	0.1%
TOTAL	4,380	3,826	0	0	8,207	100.0%
Source: PRC Customs HS Codes: 1007.0010 and 1007.0090 (f:\shared\lotus\grnfd\others\sorghum\sgmqe0-1.wk4)						

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